

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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U.S. POSTAL SERVICE
OFFICE OF THE CONSUMER ADVOCATE

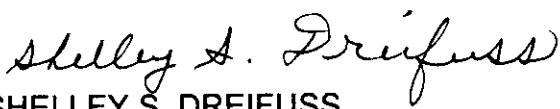
Postal Rate and Fee Changes, 1997)

Docket No. R97-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
WITNESS: JAMES F. CALLOW (USPS/OCA-T500-37-41)
(February 18, 1998)

The Office of the Consumer Advocate hereby submits the answers of James F. Callow to interrogatories USPS/OCA-T500-37-41, dated February 4, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,


SHELLEY S. DREIFUSS
Attorney
Office of the Consumer Advocate

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-37-41

USPS/OCA-T500-37. Please refer to your response to interrogatory USPS/OCA-T500-13. Please confirm that **the current** post office box service fees are based (in part) on post office costs, but not on post office revenues. If you do not confirm, please explain why not.

A. Confirmed.

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-37-41

USPS/OCA-T500-38. Please refer to your response to interrogatory USPS/OCA-T500-14(a), which quotes the Postal Service concerning CAG A, B, K, and L offices. Does the designation of an office as CAG C through CAG J reveal anything about that office's location. If so, please explain what.

A. Yes. I relied on findings presented in Postal Service's Library Reference F-183 from Docket No. R90-1. According to the Postal Service, "space provision costs tend to vary with facility *location* (square foot rents are higher in urban and suburban locales than in rural areas) . . ." (Emphasis added) Docket No. R90-1, US Postal Service Library Reference F-183 at 2. Moreover, the Postal Service has determined that "there is a significant relationship between the CAG designation of a facility and its associated square-foot rent (e.g. CAG A offices have higher rents than CAG L offices)." *Id.* This determination is supported by Postal Service data. See table below, reproduced from Docket No. MC96-3, Tr. 8/2916, Response of United States Postal Service to Interrogatory of the Office of the Consumer Advocate, OCA/USPS-88(h). See *also* Docket No. R90-1, US Postal Service Library Reference F-183, Table 6, at 16. In both cases, the data reveal that, "as one goes from CAG A offices to CAG L offices, there is, with two exceptions, a uniform decline in average square foot rent." *Id.* at 15. Finally, the Postal Service concluded that "[t]his is not surprising, given that CAG A and B offices tend to be located in higher-rent urban areas, while CAG K and L offices tend to be located in lower-rent rural areas." *Id.*

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CAG	NUMBER OF FACILITIES	AVERAGE RENTAL COST (\$ / square foot)
A	1,185	\$9.13
B	691	\$9.07
C	1,111	\$9.29
D	495	\$8.54
E	815	\$7.65
F	1,008	\$7.13
G	2,284	\$6.35
H	3,400	\$6.04
J	4,650	\$5.75
K	9,055	\$5.76
L	1,572	\$5.57

Source: Docket No. MC96-3, OCA/USPS-88(h).

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-37-41

USPS/OCA-T500-39. Please refer to your response to USPS/OCA-T500-14(b), where you state that revenues can be used to indicate an office's size.

(a) Is it possible for a small office to generate a relatively large amount of revenue? If your answer is other than yes, please explain why this is not possible.

(b) Is it possible for a large office to generate a relatively small amount of revenue? If your answer is other than yes, please explain why this is not possible.

(c) Please confirm that for small offices that have a relatively high number of revenue units and for large offices that have a relatively low number of revenue units, CAG designation would not be a reliable indicator of office size. If you do not confirm, please explain why?

A. (a)-(b) No. As explained in my response to USPS/OCA-T500-14(b), when I used the term "size" I was referring to revenues, as measured by revenue units.

Therefore, questions (a) and (b) are a logical impossibility as I use the term "size."

(c) Unable to confirm. See my response to (a) and (b) above.

ANSWERS OF OCA WITNESS JAMES F. CALLOW
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USPS/OCA-T500-40. Please refer to your response to interrogatory USPS/OCA-T500-14(c). What is the basis of your understanding that the CAG level of an office is highly correlated with each of the following:

- (a) the costs for that office;
- (b) the number of employees for that office;
- (c) the size of the facility;
- (d) the volume of incoming mail processed for that office?

In answering for each of items (a)-(d), please identify any data, including data averaged by CAG, that support your response.

A. (a) For post office boxes, one of the most important costs is rental costs. As explained in my response to USPS/OCA-T500-38, an office with a high CAG designation means an office with a high rental cost, and an office with a low CAG designation means a low rental cost.

(b) There is a high correlation between the estimated average number of employees in an office and the CAG designation of that office, with a higher average number of employees found in higher CAG offices. See table below.

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CAG	Number of Offices	Number of Employees	Average per Office
	[a]	[b]	[c]
A	1,138	421,882	371
B	685	66,316	97
C	1,241	120,033	97
D	658	50,400	77
E	1,346	66,653	50
F	1,595	40,665	25
G	2,436	33,994	14
H	3,020	23,996	8
J	4,126	20,384	5
K	8,114	26,267	3
L	1,125	3,212	3

NOTES AND SOURCES:

[a] OCA-LR-2 at 12.

[b] OCA/USPS-81-82, Attachment 1.

[c] [b]/[a]

(c) When I used the term "size," I was referring to revenues, as measured by revenue units. See my response to USPS/OCA-T500-39, above. Consequently, there is a high correlation between an office with a high CAG designation and size (i.e., revenue units).

(d) I have no data.

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USPS/OCA-T500-41. Please refer to your response to interrogatory USPS/OCA-T500-15(a), where you state that, at the time that you developed your cost methodology, you had no other basis for allocating post office box window service costs to offices in which there are no mailhandlers and supervisors. Do you now have any other basis for allocating these costs? If so, please present that alternative basis for allocating costs.

A. No. In responding to USPS/OCA-T500-15(a), I excluded from consideration the allocation methodology proposed by witness Lion in USPS-T-24 at 19-23, since I was seeking a methodology that better reflected costs for boxes in higher and lower cost offices. Nevertheless, witness Lion's methodology would be another basis for allocating costs.

DECLARATION

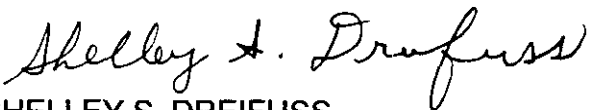
I, James F. Callow, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T500-37-41 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed 2-18-98

James F. Callow

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


SHELLEY S. DREIFUSS
Attorney

Washington, DC 20268-0001
February 18, 1998